



DEPARTMENT OF THE ARMY
US ARMY CONTRACTING AGENCY SOUTHERN REGION HEADQUARTERS
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REPLY TO
ATTENTION OF

SFCA-SR-CO

12 March 2003

MEMORANDUM FOR Army Contracting Agency, Southern Region Installations

SUBJECT: Southern Region Implementation Memorandum (SRIM) 03-10, Performance-Based Services Acquisition (PBSA), Seven-Step PBSA Process

1. This memorandum serves to identify seven easy steps to Performance Based Service Acquisitions (PBSA). In 2001, an Integrated Process Team (IPT) consisting of personnel from the Department of Commerce and the Office of Federal Procurement Policy was instrumental in developing the seven easy steps to PBSA.
2. The IPTs goal consisted of devising a tool to aid acquisition personnel in improving service contracting skills and results; and educating the greater "acquisition community," to include program managers, program staff, and customers. These seven steps at enclosure 1 should be utilized as an educational tool to make PBSA achievable and shift the paradigm from traditional "acquisition think" to collaborative performance-oriented teamwork with a focus on program performance, improvement, and innovation. Additional information pertaining to these seven steps can be located at <http://oamweb.oscc.doc.gov>.
3. This SRIM supersedes information contained in Contracting Information Letter (CIL) 02-24, Performance-Based Services Acquisition (PBSA), Seven-Step PBSA Process, dated 13 May 2002.
4. If additional information is needed, please contact the Contract Operations Division, DSN 367-0472 or commercial 404-464-0472.

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SEVEN STEP PROCESS TO APPROACH PBSA

STEP 1 – Establish an Integrated Solutions Team. Today, given statutory, policy, and regulatory mandates, teams work cooperatively toward a common goal. These principles are also reflected in the Federal Acquisition Regulation (FAR), which (1) recognizes that teams begin with the customer and end with the contractor and (2) outlines procurement policies and procedures that are used by members of the acquisition team.

- Ensure senior management involvement and support
- Tap multi-disciplinary expertise
- Define roles and responsibilities
- Develop rules of conduct
- Empower team members
- Identify stakeholders and nurture consensus
- Develop and maintain the knowledge base over the project life
- Incentivise the team: Establish links between program mission and team members' performance

STEP 2 – Describe the problem that needs solving. Planning for an acquisition should begin with business planning that focuses on the desired improvement. The first consideration is, what is the problem the agency needs to solve? What results are needed? Will the proposed results meet the organizational and mission objectives?

- Link acquisition to mission and performance objectives
- Define (at high level) desired results
- Decide what constitutes success
- Determine the current level of performance

STEP 3 – Examine Public and Private Sector Solutions - Once the acquisition's intended results have been identified, the integrated solutions team should begin to examine both private-sector and public-sector solutions through market research. Market research is a vital means of arming the team with the expertise needed to conduct an effective performance-based acquisition.

- Take a team approach to market research
- Spend time learning from public sector counterparts
- Talk to private sector companies before structuring the acquisition
- Consider one-on-one meetings with industry

STEP 4 – Develop Performance Work Statement or Statement of Objectives

- Performance Work Statement (PWS)
 - Conduct an analysis
 - Apply the “so what?” test
 - Capture the results of the analysis in a matrix
 - Write the PWS
 - Let the contractor solve the problem including labor mix
- Statement of Objectives (SOO)
 - Explain the acquisition relative to agency’s program/mission needs and what problem needs solving (as identified under Step 2).
 - Describe the scope
 - Write performance objectives into the SOO
 - Make sure the Government and the contractor share objectives
 - Identify constraints
 - Develop background
 - Make the final checks and maintain perspective

STEP 5 – Decide how to measure and manage performance - Developing an approach to measuring and managing performance is a complex process that requires consideration of many factors: performance standards and measurement techniques, performance management approach, incentives, and more

- Review the success determinants
- Rely on commercial quality standards
- Have the contractor propose the metrics and the quality assurance plans
- Select only a few meaningful measures on which to judge success
- Include contractual language for negotiated changes to the metrics and measures
- Apply the contract-type order of precedence carefully
- Use incentive type contracts
- Consider “award term”
- Consider other incentive tools
- Recognize the power of profit as motivator
- Develop partnerships with contractors

STEP 6 – Select the right contractor

- Compete the solution
- Use down selection and “due diligence”
- Use oral presentations and other opportunities to communicate
- Emphasize past performance in evaluation
- Use best value evaluation for source selection
- Assess solutions for issues for conflict of interest

STEP 7 – Manage Performance

- Keep the team together
- Adjust roles and responsibilities
- Assign accountability for managing contract performance
- Add the contractor to the team at a formal kick off meeting
- Regularly review performance in a Contract Performance Improvement Working Group
- Ask the right questions
- Report on the contractor's past performance